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Audit Of The United States Senate Restaurants For The Period June 28, 1970, To June 26, 1971 B-114871

Architect of the Capitol

BY THE COMPTROLLER GENERAL OF THE UNITED STATES

90434

JAN. 18, 1972

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COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

B-114871

Dear Mr. White:

y This is our report on an audit of the financial operations of the United States Senate Restaurants for the period June 28, 1970, to June 26, 1971. The audit was made pursuant to section 5 of the act of July 6, 1961 (40 U.S.C. 174j-5).

RCU 10 68

Sincerely yours,

A handwritten signature in cursive script that reads "James B. Axtell".

Comptroller General  
of the United States

c The Honorable George M. White  
Architect of the Capitol

174 10 73

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COMPTROLLER GENERAL'S  
REPORT TO THE  
ARCHITECT OF THE CAPITOL

AUDIT OF THE UNITED STATES SENATE  
RESTAURANTS FOR THE PERIOD JUNE 28, 1970,  
TO JUNE 26, 1971 B-114871

D I G E S T

WHY THE AUDIT WAS MADE

Section 5 of the act of July 6, 1961 (40 U.S.C. 174j-5), requires the General Accounting Office (GAO) to make an annual audit of the United States Senate Restaurants.

OPINION ON FINANCIAL STATEMENTS

In GAO's opinion, the financial statements (schs. 1, 2, and 3), which were prepared by GAO on a basis consistent with that of the preceding year and in accordance with the accounting practices and financial arrangements described on page 7 of this report, present fairly the financial position of the United States Senate Restaurants at June 26, 1971, and the results of its operations and the sources and application of its funds for the year then ended.

OTHER MATTERS OF INTEREST

The operation of the Senate Restaurants resulted in a net loss for fiscal year 1971 of \$623,092, including equipment expenditures of \$2,665, compared with a net loss for fiscal year 1970 of \$556,884, including equipment expenditures of \$463. The increase in the net loss of \$66,208 was caused by a decrease in the gross profit on food and beverage sales and higher labor and other operating costs.

The amount of the accounts receivable at June 30, 1971 (\$22,508), was \$9,152 less than the amount at June 30, 1970. By September 2, 1971, \$15,811 had been collected. Of the remaining amount of \$6,697, \$3,364, or 50 percent, was over 90 days old.

The Legislative Branch Appropriation Act for 1972 (Pub. L. 92-51, approved July 9, 1971) provides that the Senate Restaurants' management personnel salaries and maintenance expenses, such as cleaning and laundry, be considered building maintenance expenses to be paid from the Senate Office Building appropriation. Consequently these items will no longer be considered in determining the appropriation provided for operation of the restaurants.

## INTRODUCTION

The Senate Restaurants are operated primarily for Senators and employees of the United States Senate. The Architect of the Capitol is responsible for the management of the restaurants subject to the direction of the Committee on Rules and Administration, as provided by the act of July 6, 1961 (40 U.S.C. 174j-1).

Facilities of the restaurants consist of several dining rooms and a snack bar in the Senate wing of the Capitol, a Senators' private dining room, two cafeterias for use by Senators and employees, a carryout shop, and a cigar stand in the New Senate Office Building. The coffee shop in the Old Senate Office Building is closed for renovation. The dining rooms in the Capitol are required to remain open when the Senate is in night session.

Funds for the operation of the restaurants are provided by receipts from sales and by an annual appropriation to cover operating losses and equipment purchases. The funds are deposited into an account established with the Treasurer of the United States pursuant to the act of July 6, 1961. Funds appropriated to the Architect of the Capitol for construction or maintenance are also available to the restaurants for the purchase of equipment. Equipment purchases, however, are not recorded as assets of the restaurants.

COMMENTS ON OPERATIONS

The operation of the Senate Restaurants resulted in a net loss for fiscal year 1971 of \$623,092, including equipment expenditures of \$2,665, compared with a net loss for fiscal year 1970 of \$556,884, including equipment expenditures of \$463. The increase in the net loss of \$66,208 was caused by decreased gross profit on food and beverage sales and higher labor and other operating costs.

A comparison of fiscal years 1971 and 1970 sales and operating results for food and beverages and cigar-stand merchandise for each of the operating units of the Senate Restaurants follows.

	<u>1971</u>		<u>1970</u>	
	<u>Sales</u>	<u>Operating profit or loss (-)</u>	<u>Sales</u>	<u>Operating profit or loss (-)</u>
Food and beverages:				
Capitol dining rooms	\$ 284,109	-\$353,984	\$ 273,482	-\$326,899
Snack bar (note a)	17,269	-1,682	43,686	-6,995
Coffee shop (note b)	49,915	-14,605	160,057	-43,861
Cafeterias	594,263	-285,634	535,478	-216,288
Senators' dining room	24,475	-24,966	24,000	-29,212
Carryout shop	135,315	18,382	125,579	21,288
Cigar-stand operating expenses (note c)	-	-12,013	-	-
Total	<u>\$1,105,346</u>	<u>-\$674,502</u>	<u>\$1,162,282</u>	<u>-\$601,967</u>
Number of persons served	<u>1,354,615</u>		<u>1,487,766</u>	
Cigar-stand merchandise (excluding operating expenses):				
Capitol dining rooms	\$ 46,594	\$11,187	\$ 37,177	\$ 8,202
Snack bar (note a)	3,062	870	8,555	2,204
Coffee shop (note b)	16,378	4,023	41,406	9,405
Cafeterias	1,298	434	16,278	4,549
Carryout shop	24,532	6,006	56,081	13,542
Cigar stand (note d)	<u>95,933</u>	<u>24,792</u>	-	-
Total	<u>\$187,797</u>	<u>\$47,312</u>	<u>\$159,497</u>	<u>\$37,902</u>

<sup>a</sup>Unit closed October 17, 1970, to May 24, 1971.

<sup>b</sup>Unit closed October 16, 1970, for renovation.

<sup>c</sup>Included here to agree with schedule 2 and the exhibit.

<sup>d</sup>From October 16, 1970, when this type of merchandise was discontinued in the cafeterias, carryout, and snack bar.

By the passage of the Legislative Branch Appropriation Act for 1972 (Pub. L. 92-51, approved July 9, 1971), the United States Senate now considers its restaurants to be a service unit and not a business enterprise. The act provides that management personnel salaries and maintenance expenses, such as cleaning and laundry, be considered building maintenance expenses to be paid from the Senate Office Building appropriation. Consequently these items will no longer be considered in determining the appropriation provided for operation of the restaurants.

Pending the transfer of funding responsibility for management personnel salaries to the Senate Office Building appropriation, the usual year-end adjustment to the employees' leave expense account was not made. The omission of this adjustment understates the restaurants' net operating loss by approximately \$1,373, and there is a corresponding understatement in the employees' accrued leave account.

COMMENTS ON ACCOUNTS RECEIVABLE

The aging of the receivables from customers at June 30, 1971, and June 30, 1970, is shown below.

<u>Days outstanding</u>	<u>June 30, 1971</u>		<u>June 30, 1970</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
0 to 30	\$12,636	56.1	\$18,306	57.8
31 to 60	4,638	20.6	6,411	20.3
61 to 90	2,373	10.6	4,113	13.0
Over 90	<u>2,861</u>	<u>12.7</u>	<u>2,830</u>	<u>8.9</u>
Total	<u>\$22,508</u>	<u>100.0</u>	<u>\$31,660</u>	<u>100.0</u>

The amount of the accounts receivable at June 30, 1971, was \$9,152, or about 29 percent, less than the amount at June 30, 1970.

Our requests for confirmation of accounts at June 30, 1971, resulted in responses by September 2, 1971, confirming \$13,533, or 60 percent, of the total receivables at June 30, 1971.

By September 2, 1971, \$15,811, or about 70 percent of the receivables at June 30, 1971, had been collected. Of the remaining amount of \$6,697, \$3,364, or 50 percent, was over 90 days old.

## SCOPE OF AUDIT

Our audit of the Senate Restaurant was made in accordance with generally accepted auditing standards and included an examination of the financial statements for the year ended June 26, 1971, and such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

## OPINION ON FINANCIAL STATEMENTS

The accompanying financial statements of the United States Senate Restaurants (schs. 1, 2, and 3) were prepared by us on the basis of accounting records maintained by the Senate Restaurants' Accounting Office on an accrual basis, except that equipment and furnishings acquired with restaurant funds are charged off as expenses in the period acquired rather than over the period of their useful lives. The statements do not include the cost of equipment and furnishings acquired with funds appropriated to the Architect of the Capitol or of certain benefits and services furnished to the restaurants without charge, such as space, ordinary building repairs and maintenance, utilities, garbage disposal, menus and forms printed by the Government Printing Office, and personal services of the staff of the Architect of the Capitol.

In our opinion, the financial statements (schs. 1, 2, and 3), which were prepared on a basis consistent with that of the preceding year and in accordance with the accounting practices and financial arrangements described above, present fairly the financial position of the United States Senate Restaurants at June 26, 1971, and the results of its operations and the sources and application of its funds for the year then ended.

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**SCHEDULES**

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## UNITED STATES SENATE RESTAURANTS

## COMPARATIVE STATEMENT OF ASSETS AND LIABILITIES

JUNE 26, 1971, AND JUNE 27, 1970

	<u>June 26, 1971</u>	<u>June 27, 1970</u>
ASSETS		
CASH:		
Funds with U.S. Treasury	\$130,871	\$103,895
Undeposited receipts	14,398	6,554
Petty cash and change funds	<u>8,500</u>	<u>8,500</u>
	\$153,769	\$118,949
ACCOUNTS RECEIVABLE	22,641	31,381
INVENTORIES:		
Food, beverages, merchandise and supplies, at cost	34,944	34,534
Linens and uniforms	6,644	-
China, glassware, and silverware	<u>29,399</u>	<u>30,076</u>
	70,987	64,610
Total assets	<u>\$247,397</u>	<u>\$214,940</u>
LIABILITIES AND EQUITY		
LIABILITIES:		
Amounts due vendors	\$ 59,065	\$ 67,158
Net payroll and benefits	40,089	39,275
Federal and D.C. withholding taxes	7,033	6,777
Employees' accrued leave	77,679 <sup>a</sup>	70,032
Unclaimed wages	<u>989</u>	<u>764</u>
Total liabilities	<u>\$184,855</u>	<u>\$184,006</u>
EQUITY OF THE UNITED STATES SENATE:		
Contributed capital	51,200	51,200
Capitalization of inventory of china, glassware, and silverware, July 1, 1967	36,361	36,361
Operating funds:		
Balance at beginning of year	-56,627	-3,543
Current year appropriations	<u>654,700<sup>b</sup></u>	<u>503,800<sup>c</sup></u>
	598,073	500,257
Less net loss for fiscal year	<u>623,092</u>	<u>556,884</u>
	-25,019	-56,627
Total equity	<u>62,542</u>	<u>30,934</u>
Total liabilities and equity	<u>\$247,397</u>	<u>\$214,940</u>

<sup>a</sup>Not adjusted pending transfer of funding responsibility for management personnel salaries to the Senate Office Building appropriation.

<sup>b</sup>Regular appropriation (Pub. L. 91-382), \$497,000; supplemental appropriation (Pub. L. 92-18), \$157,700.

<sup>c</sup>Regular appropriation (Pub. L. 91-145), \$497,000; supplemental appropriation (Pub. L. 91-257), \$6,800.

## BEST DOCUMENT AVAILABLE

UNITED STATES SENATE RESTAURANTS  
 COMPARATIVE STATEMENT OF OPERATIONS  
 FOR THE FISCAL YEARS ENDED JUNE 26, 1971, JUNE 27, 1970,  
 JUNE 28, 1969, AND JUNE 29, 1968

	Fiscal year ended June 26, 1971	
	<u>Amount</u>	<u>Percent of sales</u>
SALES OF FOOD AND BEVERAGES:		
Regular services	\$ 958,550	86.7
Catering	<u>141,796</u>	<u>13.3</u>
Total	1,105,346	100.0
Cost of food and beverages sold	<u>464,598</u>	<u>42.0</u>
GROSS PROFIT	<u>640,748</u>	<u>58.0</u>
OPERATING EXPENSES:		
Salaries and wages:		
Straight time	902,621	81.7
Overtime	70,252	6.3
Leave expense	71,058 <sup>a</sup>	6.4
Employee meals	37,534	3.4
Employee benefits	74,643	6.8
Laundry and uniforms	54,678 <sup>b</sup>	5.0
Paper supplies	40,734	3.7
Cleaning supplies	21,059	1.9
Miscellaneous	11,759	1.1
Replacement of china, glassware, silverware, and kitchen utensils	<u>30,912</u>	<u>2.7</u>
TOTAL OPERATING EXPENSES	<u>1,315,250<sup>c</sup></u>	<u>119.0</u>
LOSS ON FOOD AND BEVERAGES OPERATIONS	<u>674,502</u>	<u>61.0</u>
CIGAR-STAND MERCHANDISE:		
Sales	187,797 <sup>d</sup>	100.0
Cost of sales	<u>140,485</u>	<u>74.8</u>
PROFIT ON CIGAR-STAND OPERATIONS	<u>47,312</u>	<u>25.2</u>
VENDING MACHINE COMMISSIONS	<u>6,763</u>	
NET OPERATING LOSS	620,427	
EQUIPMENT EXPENDITURES	<u>2,665</u>	
NET LOSS FOR THE PERIOD	<u>\$ 623,092<sup>a</sup></u>	

<sup>a</sup>Understated \$1,373 because year-end adjustment was not made.

<sup>b</sup>Includes only rentals through Jan. 9, 1971. Subsequently, includes both rental and usage of linen and uniforms owned.

SCHEDULE 2

Fiscal year ended June 27, 1970		Fiscal year ended June 28, 1969		Fiscal year ended June 29, 1968	
<u>Amount</u>	<u>Percent of sales</u>	<u>Amount</u>	<u>Percent of sales</u>	<u>Amount</u>	<u>Percent of sales</u>
\$1,022,355	88.0	\$ 876,531	87.3	\$ 890,289	88.3
<u>139,927</u>	<u>12.0</u>	<u>127,989</u>	<u>12.7</u>	<u>118,236</u>	<u>11.7</u>
1,162,282	100.0	1,004,520	100.0	1,008,525	100.0
<u>485,804</u>	<u>41.8</u>	<u>404,947</u>	<u>40.3</u>	<u>400,412</u>	<u>39.7</u>
<u>676,478</u>	<u>58.2</u>	<u>599,573</u>	<u>59.7</u>	<u>608,113</u>	<u>60.3</u>
897,560	77.2	773,044	77.0	747,268	74.0
60,585	5.2	28,192	2.8	53,020	5.3
74,630	6.4	65,857	6.6	58,163	5.8
31,233	2.7	28,533	2.8	32,176	3.2
66,597	5.7	56,803	5.7	51,077	5.1
53,878	4.6	43,682	4.3	43,917	4.3
33,863	2.9	28,518	2.8	30,094	3.0
19,526	1.7	17,083	1.7	15,698	1.5
11,412	1.0	7,369	.7	8,070	.8
<u>29,161</u>	<u>2.5</u>	<u>23,121</u>	<u>2.3</u>	<u>28,096</u>	<u>2.8</u>
<u>1,278,445</u>	<u>109.9</u>	<u>1,072,202</u>	<u>106.7</u>	<u>1,067,579</u>	<u>105.8</u>
<u>601,967</u>	<u>51.7</u>	<u>472,629</u>	<u>47.0</u>	<u>459,466</u>	<u>45.5</u>
159,497	100.0	147,810	100.0	155,263	100.0
<u>121,595</u>	<u>76.2</u>	<u>115,993</u>	<u>78.5</u>	<u>119,582</u>	<u>77.0</u>
<u>37,902</u>	<u>23.8</u>	<u>31,817</u>	<u>21.5</u>	<u>35,681</u>	<u>23.0</u>
<u>7,644</u>		<u>5,986</u>		<u>5,785</u>	
556,421		434,826		418,000	
<u>463</u>		<u>167</u>		<u>323</u>	
<u>\$ 556,884</u>		<u>\$ 434,993</u>		<u>\$ 418,323</u>	

<sup>c</sup>Includes operating expenses for the cigar stand.

<sup>d</sup>Includes net profit on newspaper sales.

SCHEDULE 3

UNITED STATES SENATE RESTAURANTS

STATEMENT OF SOURCES AND APPLICATION OF FUNDS

FOR THE FISCAL YEAR ENDED JUNE 26, 1971

FUNDS PROVIDED BY:

Sales	\$1,299,906
Appropriations	<u>654,700</u>

Total funds provided	<u>\$1,954,606</u>
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FUNDS APPLIED TO:

Cost of merchandise sold	\$ 605,083
Salaries and wages	1,156,108
Other operating expenses	159,142
Equipment expenditures	2,665
Increase in working capital	<u>31,608</u>

Total funds applied	<u>\$1,954,606</u>
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EXHIBIT

	FISCAL YEAR 19 71												ACCOUNTING PERIOD																
	COMBINED OPERATIONS				Capital Dis.				Snack Bar				Cigar Stand				Cafeteria				Senator's				Dr. Coffee Shop				
	AMOUNT	% OF SALES	AMOUNT	% OF SALES	AMOUNT	% OF SALES	AMOUNT	% OF SALES	AMOUNT	% OF SALES	AMOUNT	% OF SALES	AMOUNT	% OF SALES	AMOUNT	% OF SALES	AMOUNT	% OF SALES	AMOUNT	% OF SALES	AMOUNT	% OF SALES	AMOUNT	% OF SALES	AMOUNT	% OF SALES	AMOUNT	% OF SALES	
<b>FOOD</b>																													
SALES	958,550	86.7	227,888	80.2	17,269																								
Food.....																													
Catering.....	146,796	13.3	56,221	19.8																									
<b>TOTAL</b>	1,105,346	100.0	284,109	100.0	17,269	100.0																							
<b>COST OF FOOD SOLD.....</b>	464,598	42.0	126,901	44.7	6,622	38.3																							
<b>GROSS PROFIT ON FOOD</b>	640,747	58.0	157,208	55.3	10,647	61.7																							
<b>OPERATING EXPENSES</b>	902,621	81.6	351,273	123.6	8,653	50.1																							
Labor: Straight Time .....	70,252	6.4	36,731	12.9	349	2.0																							
Overtime .....	71,058	6.4	27,626	9.7	662	3.8																							
Leave Expense .....	37,534	3.4	12,262	4.3	352	2.0																							
Employee Meals .....	74,643	6.8	29,011	10.2	683	4.0																							
Employee Benefits .....	1,156,109	104.6	456,903	160.8	10,700	61.9																							
<b>TOTAL LABOR COSTS</b>	54,678	4.9	21,886	7.7	185	1.1																							
<b>&amp; Uniforms</b>	40,734	3.7	7,092	2.5	1,248	7.2																							
Laundry .....	21,059	1.9	9,859	3.5	114	0.7																							
Paper Supplies .....	11,759	1.1	4,695	1.6	82	0.5																							
Cleaning Supplies .....	30,912	2.8	10,758	3.8	-0-	-0-																							
Miscellaneous Expense .....	1,315,251	119.0	511,191	179.9	12,329	71.4																							
(China, Glassware, Silverware & Kitchen Utensils) Replacements .....	(674,504)	(68.0)	(353,983)	(124.6)	(1,682)	(9.7)																							
<b>TOTAL OPERATING EXPENSES</b>	187,797	100.0	46,594	100.0	3,062	100.0																							
<b>PROFIT OR (LOSS) ON FOOD OPERATIONS</b>	140,485	74.8	35,407	76.0	2,192	71.6																							
<b>CIGAR STANDS</b>	47,312	25.2	11,187	24.0	870	28.4																							
SALES .....	6,763		126																										
<b>COST OF SALES.....</b>	(620,428)		(342,670)		(812)																								
<b>PROFIT OR (LOSS) ON CIGAR STAND OPERATIONS</b>	2,665																												
<b>VENDING MACHINES COMMISSIONS</b>																													
<b>NET PROFIT OR (LOSS) ON OPERATIONS</b>	(623,094)																												
<b>EQUIPMENT EXPENDITURES</b>																													
<b>NET INCOME OR (DEFICIT)</b>																													

NOTE: CENTS HAVE BEEN OMITTED; THEREFORE, COLUMNS WILL NOT FOOT.

BEST DOCUMENT AVAILABLE